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BEFORE THE COMMITTEE ON GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES
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Mr. Chairman and Members of the Committee, thank you for the opportunity to testify today on issues concerning the Boston Central Artery/Tunnel (CA/T) project.

The Central Artery/Tunnel project is nearing completion. This \$14.6 billion project has been the largest, most expensive, and most complex highway project in U. S. history. With the opening of the full I-93 southbound portion of the project in March, the Central Artery/Tunnel project is 96% complete, and substantial completion is scheduled by October of this year.

This ambitious project will provide countless benefits to the city of Boston in the way of enhancing safety, easing traffic congestion, improving mobility, providing acres of open parkland to city residents, and reconnecting communities severed by the old elevated highway. And the Central Artery/Tunnel project has reshaped the way the Department of Transportation approaches major project oversight. This project has taught us many important lessons in highway project management and has provided us with a solid framework for oversight of major projects in the future. Today, I would like to share with the Committee the efforts underway within the Federal Highway Administration (FHWA) to ensure proper oversight on this important project, and in the areas of Oversight of Federal Funding and Cost Recovery in Major Projects, Construction and Quality Assurances, and Major Project Oversight in general.

Before I go further, however, in response to concerns that we have heard I wish to take this opportunity to restate our conclusion that the Central Artery, including the tunnels that are part of this project, are safe for public travel. We will not compromise on safety. Safety is the Department of Transportation's top priority. Later in this statement I will describe our ongoing oversight activities that lead us to conclude that these tunnels are safe. And, I will describe the recommendations contained in our Interim Tunnel Leak Assessment Report that will ensure the long-term safety of the CA/T tunnels and protect the public's investment in this project.

Oversight of Federal Funds in Major Projects

Within the Federally assisted, State-administered Federal-aid highway program, FHWA responsibilities are governed by Title 23 of the United States Code. The FHWA's primary responsibility is to protect the Federal investment by ensuring Federal funds disbursed to the States are spent consistent with Federal requirements and national transportation policy objectives.

In March 2000, a Federal Task Force on the Boston Central Artery/Tunnel Project, established by FHWA in response to recommendations from the Department of Transportation's (DOT) Office of the Inspector General (OIG), made 34 recommendations for improved FHWA oversight activities. Key among these were greater disclosure, the need for more timely information being made available to the public and the public oversight agencies, and the independent annual FHWA assessment of costs and revenues. FHWA has since implemented each of the 34 Task Force recommendations. We believe that the processes and procedures we have implemented as a result of the Inspector General's report and the Task Force recommendations will not only keep the Central Artery/Tunnel project on track for successful completion, but have further provided a strong framework for oversight of all major projects.

Seventeen of the thirty-four Task Force recommendations dealt with items concerning the preparation of a Finance Plan. These items included establishing a national policy on the preparation and review of Finance Plans for major projects; providing an independent cost estimate of the project by FHWA on an annual basis; providing an independent certification of the Finance Plan information by another state agency; and including contingency plans to cover potential revenue shortfalls or cost overruns.

Finance Plan Guidance for all major projects, which incorporated all of the Task Force recommendations, was issued by FHWA on May 23, 2000. A major milestone occurred in June 2000, when FHWA, Massachusetts Turnpike Authority (MTA) and Massachusetts Highway Department (MHD) executed a Partnership Agreement that formally implemented the Task Force recommendations. This agreement delineates and strengthens the oversight responsibilities of, and improves communications between, the parties. FHWA's November 29, 2000, acceptance of the October CA/T Finance Plan and the OIG Report issued the same day indicated that the Task Force recommendations have been completed to the satisfaction of the FHWA and the Office of the Inspector General. Implementation of the Finance Plan Guidance is a continuing activity and is reviewed each annual update cycle.

The FY 2001 DOT Appropriations Act included an \$8.549 billion Federal funding cap for the CA/T and required the Office of the Inspector General to concur in the annual Finance Plan Updates before FHWA approval. Congress also included a requirement that the Secretary withhold obligation of Federal funds and all project approvals for the CA/T project until the Inspector General reviews the annual financial plan updates for compliance with FHWA guidance. With the Inspector General's concurrence, FHWA accepted the October 2003 Update of the CA/T project's Finance Plan showing a \$14.625 billion project cost estimate on June 9, 2004. Approval of the October 2004 CA/T Finance Plan Update is pending completion of the Federal review. Given the likelihood that the 2004 Update will be the last formal Finance Plan because the project is nearing completion, additional time for review may be required.

FHWA recognizes that providing financial oversight to major projects is an ongoing responsibility that does not end when the financial plans are approved. As part of its

oversight responsibilities concerning the CA/T, the FHWA approved the Massachusetts Turnpike Authority's Revised Errors and Omissions Procedure and its Cost Recovery Program Action Plan in 2003, with the requirement for a quarterly status report to monitor progress in resolving more than 700 potential cost recovery items. The MTA and the State Attorney General entered into an agreement to transfer MTA's responsibility for the cost recovery efforts to the State Attorney General's Office effective February 1, 2005. Any cost recovery monies realized from the Cost Recovery Program will be shared according to the original Federal participation percentage ratio.

Construction and Quality Assurances

FHWA has a three-pronged approach to construction oversight of the CA/T Project. This construction oversight is primarily carried out by our Massachusetts Division Office. First, FHWA is involved at a general level to ensure that MTA and the CA/T Project have appropriate processes and procedures in place to staff and manage construction activities and ensure the quality of construction. Some examples of this are quality control and quality assurance procedures, contract administration and financial systems to account for all monies, and audit protocols.

Second, FHWA undertakes specific reviews of the actual construction as outlined in FHWA's Annual Construction Monitoring Plan. The Annual Construction Monitoring Plan is developed based on the construction activities underway at the time and the knowledge of FHWA Division engineering personnel. This annual plan prescribes the number and scope of routine inspections, phase (in-depth) inspections, and process reviews of the ongoing construction.

The third element of construction oversight is FHWA's participation at regularly scheduled project status and issues meetings or on technical working groups. This is another opportunity for FHWA to keep abreast of current issues and concerns, provide technical advice, promote good engineering and managerial practices, and to provide input in the evaluation and resolution of areas of concern. Examples of these meetings include weekly meetings with CA/T Project senior staff to discuss, evaluate, and decide the course of action on major issues; area meetings; and issue resolution team meetings.

One of the recent areas of concern with the CA/T project involved leaks within the slurry wall tunnels, one of five types of tunnels constructed as part of this project. On September 15, 2004, a breach in a Central Artery slurry wall panel allowed water to enter the northbound tunnel of I-93 for a few hours, closing down traffic lanes for repair and causing significant traffic delays. In response, FHWA Administrator Mary Peters requested an independent FHWA engineering assessment of all tunnel leaks. The FHWA Tunnel Leak Assessment Team conducted a leak assessment and issued its Interim Report on March 23, 2005.

In its report, the Leak Assessment Team states that the project is appropriately addressing the tunnel leaks. The September 15, 2004, slurry wall breach appears to be isolated to a discrete section of the tunnel and is primarily the result of poor quality control during

construction, not a defective design. The contractor responsible for this section of the tunnel has successfully installed an interim repair and has submitted a design for the permanent fix while the Massachusetts Turnpike Authority completes an investigation of all slurry wall panels. The MTA is reviewing plans for the permanent repair and has sent plans to FHWA for review. FHWA will approve the proposal once it is satisfied that it will fully provide for a repair that is structurally sound, is durable and watertight, is relatively maintenance-free, and minimizes disruption to nearby structures, property, and the traveling public.

As of April 13, 2005, approximately 1,600 of the 2,000 panels, or 80%, had been inspected. 102 defects have been discovered to date, of which two require major repair. Repair of some of the minor defects was initiated on March 28, 2005. The contractor and the management consultant will bear the costs associated with the investigation and repair of these panels.

As a result of the September 15, 2004, breach, emphasis has been placed on other low-level leaks (defined in the Leak Assessment Team's report as leaks of lesser magnitude ranging from dampness to dripping type leaks) that the project has been fixing as a normal part of the construction of the I-93 tunnels. The Leak Assessment Team's Interim Report notes that the project continues to manage the tunnel leak sealing efforts in a methodical way. The total number of points where sealant needs to be injected to complete all leak repairs is estimated to be between 1,800 and 3,585 injection points. As of April 13, 2005, almost 1,100 low-level leaks had been sealed, and it is estimated that the project is on track to have all of the low-level leaks sealed by the October project completion date. The cost of this work is the responsibility of the mainline tunnel contractors, not the taxpayers. Based on the Leak Assessment Team's analysis, adequate resources have currently been allocated to ensure this work is completed by the substantial completion date of the project, and progress is being monitored to determine if additional resources may be required in the future. FHWA will continue to monitor these efforts and will issue a subsequent report upon completion of all repairs.

Major Project Oversight

The Central Artery/Tunnel project has pioneered many aspects of mega-project development, engineering, and construction. As a result of the unprecedented scope and complexity of this project, FHWA has reshaped the approach we take in major project oversight. The CA/T experience has taught us many lessons on how we must oversee major projects and has raised the bar on standards for highway project management.

Major projects present unique challenges and require a different approach to oversight than the typical Federally assisted project. It is not uncommon for a major project to consist of hundreds of contracts over a period of a decade or more, potentially costing a significant portion of a State's annual program. They also differ from typical projects in that once a commitment is made to build the project, many years may separate the initial contracts and the final contracts. This long timeframe increases the risks for cost escalation and schedule delays, which can severely impact a State's overall program.

To address these risks, Congress enacted legislation to require finance plans for all projects with an estimated cost of \$1 billion or more. Review and approval of finance plans and annual updates, along with project-level review and approval authority, enable us to measure and track costs over the life of major projects.

FHWA is committed to assigning a Major Project Oversight Manager to each major project. These managers are involved on a daily basis with the project owners and can avail themselves of the current data that are captured by the project's accounting and management systems. FHWA, in coordination with the Office of the Inspector General, has developed a monthly reporting system for all active and potential mega projects, which managers of major projects can use to update the status of such projects on a monthly basis.

FHWA also has established a Major Projects Team, which provides support to the major project managers from FHWA headquarters. The Team has developed and maintains a Resource Manual for Oversight Managers which is posted on FHWA Mega-projects website. The Manual includes information in the areas of "Core Competencies" and "Lessons Learned," as well as guidance for developing project management plans and estimating costs for mega-projects.

We are ensuring that appropriate performance objectives exist for each Project Oversight Manager and are establishing a common set of personnel objectives for each manager that will clearly establish their roles and responsibilities. To this end, the FHWA has developed a training course on project management for executives involved in the oversight of mega-projects.

Beyond these oversight activities that FHWA already has in place, the Administration's reauthorization proposal, the Safe, Accountable, Flexible, and Efficient Transportation Equity Act (SAFETEA), includes several key proposals with regard to stewardship and oversight. Many of these changes are the direct result of the suggestions offered by the Office of the Inspector General. Among these are:

1. The establishment of an oversight program to monitor the effective and efficient use of funds authorized under Title 23 with a specific focus on financial integrity and project delivery. Annual reviews will be performed to address elements of State's financial management systems and project delivery systems based on risk assessments.
2. The development of standards/guidance for estimating project costs, and the periodic evaluation of State practices for estimating project costs, awarding contracts, and reducing project costs.
3. The establishment of a requirement that project management plans are submitted for projects with an estimated cost of \$1 billion or more.
4. The establishment of a requirement that a finance plan be prepared for projects with an estimated cost of \$100 million or more.

Additionally, FHWA is implementing a Risk Management Program that will facilitate the development of an overall agency plan for FHWA stewardship and oversight initiatives that links to high-risk areas, and, in the FY 2006 budget, FHWA is proposing to add an additional six FTEs in order to provide a dedicated project oversight manager for each active mega-project.

Conclusion

FHWA remains committed to constantly improving its oversight practices and procedures for the CA/T, and for all major projects. We are pleased to have implemented all of the Office of the Inspector General's recommendations, and we believe that with the Inspector General's assistance, we have created a major projects oversight plan that will serve us well in the future.